



*Financial Affairs Committee*  
**February 21, 2002**

**1. Participants**

--Ron Jacobsma, FWUA	--George Senn, CVPWA
--Russell Harrington, WWD	--Alan Thompson, EBMUD
--Lynn Hurley, SCVWD	--Frances Mizuno, SLDMWA (Call-in)
--Tona Mederios, SLDMWA (Call-in)	--Mike Hagman, TCCA
--Mark Oosterman, SMUD	--Anthea Hansen, Del Puerto WD (Call-in)
--Lee Emrick, Colusa Co WD	--Jesus Reynoso, BOR
--Kathryn Kitchell, City of Roseville	--Tasia Papajohn, BOR
--Ara Azhderian, San Luis WD (Call-in)	--Chase Hurley, Panoche WD
--Ed Roman (Call-in)	--Robert Stackhouse, CVPWA

**2. Opening Business**

The February meeting was held in the CVPWA Office Boardroom, 1521 I Street, Sacramento. The meeting began at 9:30 a.m. and concluded at 12:00 noon. The agenda was reviewed and approved. At the end of the meeting, Lynn Hurley brought up one additional item for discussion: BOR Policy for the Use of Contributed Funds.

The next Financial Affairs Committee meeting will be held **March 15 at 9:30am in the ACWA Office 2<sup>nd</sup> Floor Conference Room, 910 K Street, Sacramento.**

**3. FAC Issues Matrix Status.**

**A. Capital Rate-setting and Cost-Recovery.** Ron reported that Mike Finnegan has been trying to get the issue moving but has been hampered by limited staff resources. The team is waiting for the BOR to complete its modeling work so that the team can move forward. Lynn Hurley and Alan Thompson have volunteered to assist the BOR in their modeling work. It is hoped that the team can get going again around the first of March.

**B. PUE Issues.**

--**PG&E FERC 205 Filing.** There was nothing new to report.

--**Post 2004 O&M Sub-allocation.** Ron reported that the team was making good progress. The team met on February 7 to review the interest list that had been prepared during the prior meeting and brainstormed possible solutions for allocating PUE O&M costs. The next meeting has been scheduled for March 14.

--**Other.** Tona Mederios noted that BOR had included a \$1 million cushion for wheeling in the draft 2002 water rates and asked if that amount was still included in the rates. Jesus Reynoso said that is was. He said that the \$1 million would continue to be included because Western expects to incur the costs and it wants to keep the costs in. It was agreed that Tona and other Water Authority representatives would get together with Jesus and Larry Bauman to consider adjusting the direct billing charges when there is certainty that the costs will be incurred.

**C. Cost Recovery for CVPIA Programs and Activities.** Ron reported that the Cost Recovery team met February 19 and 20 and was continuing to make steady progress. He said that the team reviewed sections 3406 and 3407 of the Central Valley Project Improvement Act (CVPIA) to determine the following for each subsection that provided for the expenditure of funds.

- Reclamation and/or FWS Cost Authority
- Accounting Treatment (capital versus O&M cost),
- Cost reimbursability provided for in CVPIA and,
- Costs subject to CVP cost allocation process.

The results of the review were captured on a worksheet along with other comments relative to each subsection. The team also captured several questions that Mike Finnegan agreed to research and report back to the team at the next meeting. Ron handed out the worksheet to the FAC members with caution that the information is preliminary and should not be passed on to others.

**D. Reclamation Water Accounting Program Development.** Jesus reported that JAVIS had recently turned the new water accounting program over to the BOR. The new water accounting program will run parallel with the current program during the March thru May time period to make sure that the new program is working the way it should. The new program is scheduled to go on line as a stand-alone program in June. Training will be provided to the Area Offices in March and then will be provided to interested CVP water contractors sometime after that. Ron suggested that the BOR piggyback the FAC and Water Authority representative training with the Area Office training so that any problems from the water user community perspective can be spotted prior to the training provided to the CVP water contractors.

3. **2002 Irrigation and M&I Water Rates.** Jesus reported that summary water rate schedules were issued a few weeks ago and that the final 2002 water rate books are in print and will be available in the next week or so. Because BOR cannot use its Internet website until it is determined secure by a federal judge, the San Luis-Delta Mendota Water Authority has posted the final 2002 water rates on their website. Tona mentioned that a few schedules are missing from the posted version. Jesus said he would talk to Tona after the meeting and try to get the problem resolved.

--**USBR Response to CVPWA Water Rate Comment Letter.** Jesus said that the letter has been written but has not yet been signed off by BOR officials.

4. **Reclassification of Capital Costs (IG Report).** Ron commented that the letter written by Mike Finnegan to the CVP Water and Power contractors relative to misclassification of CVP O&M costs was confusing to the water contractors and the Authorities were not provided a copy. It was noted that Mike had previously brought this issue up verbally, but specifics were not divulged. Ron said that he has received several calls from contractors within his Water Authority asking what the letter was all about. He said that he could not tell the contractors much because the BOR has not provided information relative to the specifics. Ron suggested that in the future the BOR should work with the FAC prior to sending out such letters to minimize confusion. Jesus said that he would relate the FAC concerns and comments to Mike and Larry.
5. **Reimbursability of Security Costs.** Ron reported that all new security costs (post September 11) would be non-reimbursable. However, he cautioned that the FAC needs to keep an eye on security costs in the future to ensure that as time goes by new security costs don't get combined with the old costs and become reimbursable. It was discussed with Mike Finnegan previously that cost codes be established to keep the costs separated and identifiable.

6. **Spring Budget Workshop.**

A. **Presidents Budget.** Jesus did not have information on status of the President's Budget. George agreed to contact Roger Pollack to get updated information.

B. **Support for Additional Finance Staff.** Ron suggested that a meeting be set up with key FAC members and BOR personnel to discuss the BOR need for additional staff. He requested that BOR provide us with an organization chart so that we can discuss how the BOR is currently staffing the Finance and Ratesetting functions and identify where additional assistance is needed.

C. **Year-to-Date Progress Report.** George agreed to talk to Roger Pollack for status.

7. **Reclamation Internet Status.** Ron reported that the BOR had completed all certification documents and submitted them to the federal judge as required. The judge subsequently rejected all the certification documents. BOR has contracted with an outside firm to assist in the certification process. There is no projection as to when the BOR Internet site will be back up and running.
8. **Water Transfer Issues.**

--**Forbearance Agreement/Reclamation Water Transfer Policy/Contract Renewal Language.** Ron noted that a decision has been made by BOR as to which costs

would apply to transfers for the forthcoming contract year as relayed verbally to Frances Mizuno of the San Luis & Delta-Mendota Water Authority. Ron also noted that no formal response to either the Friant Water Users Authority letter or the FAC letter regarding transfers and forbearance agreement has been received. In addition, no follow-up meetings have been scheduled to address transfers, including contract language in the long-term renewal contracts.

## **9. Reports on Ongoing FAC Interest Issues.**

**A. Direct Funding Agreements.** The Authorities are working on modifying amended articles 11 and 12 of the Transfer Agreements. They are hopeful this will result in common ground for the Authorities and the BOR. The fiscal agency process remains to be worked on under the new arrangement. The service contracts, which provide the funding under the Transfer Agreements, remain problematic.

**B. Folsom South Canal Capital Cost Deferral.** Alan Thompson said that the consultant hired to review the project justification documents provided to SMUD and EBMUD relative to the construction of the Folsom South Canal has completed his review and found that the BOR deferral calculations and amounts are substantially supported and correct. EBMUD and SMUD management continues to discuss alternatives with the BOR.

**--O&M Costs.** Alan said that Folsom South Canal O&M costs are currently funded by SMUD. Discussions are ongoing to determine the amount that should be born by EBMUD.

**C. Arroyo Pasajero: Reimbursability of 1995 Flood Litigation Costs.** Bob Stackhouse pointed out that the Federal Court of Claims has recently found the BOR liable for the federal share of the litigation costs associated with the Arroyo Pasajero Flooding. Bob asked Jesus if the BOR was going to appeal or pay the costs. If the Bureau is going to pay the costs, Bob asked what the source of the funds would be and will the costs be reimbursable. Jesus did not have the information but agreed to discuss the issue with Mike Finnegan and get back to the FAC.

George R. Senn  
Finance Director